

## 2. Your Membership and Benefits

**W**hether you are a full-time or part-time educator, the California State Teachers' Retirement System provides you benefits and services to build a strong, stable financial future.

This section includes an explanation of membership and the basic benefits in the Defined Benefit Program and describes the Defined Benefit Supplement Program. These programs are two of three components that can help you achieve the lifestyle you desire at the end of your working career. The third component is your own optional retirement savings, such as in a 403(b) tax-deferred savings plan. CalSTRS offers such a plan, the Voluntary Investment Program, which you can read about in Section 4.

This section also explains the Cash Balance Benefit Program, an alternative retirement plan for part-time educators.

### **Membership in the CalSTRS Defined Benefit Program**

The CalSTRS Defined Benefit Program is available to employees of the California public school system, kindergarten through community college, in positions that require a credential, certificate, or permit or require the employee to meet minimum standards adopted by the Board of Governors of the California Community Colleges.

Only activities identified as *creditable service* are subject to Defined Benefit Program coverage, that is, count toward years of service for CalSTRS retirement purposes. These activities include teaching, vocational or guidance counseling, services related to school curriculum and a variety of administrative duties.

If you are a classroom teacher or are performing other activities that are creditable service, you may be a Defined Benefit Program

member as mandated by law or you may be eligible to elect membership.

Employees performing creditable service in a charter school are subject to coverage only if the charter of the school provides for participation in the CalSTRS Defined Benefit Program.

### **Mandatory Membership**

If you are employed to perform creditable service on a full-time basis, you will automatically become a Defined Benefit Program member on the first day of employment.

Full time is defined as the number of days or hours in a school year that the employer requires a *class of employees* to work. For example, under a collective bargaining or employment agreement, an employer might require guidance counselors in a high school to work a specific number of days each school year. Therefore, guidance counselors would constitute a class of employees. For more information about what constitutes full time and class of employees, see the glossary.

Many teachers and others who perform creditable service are not hired to work full time. For those who are hired to work less than half time, CalSTRS offers an alternative retirement plan called the Cash Balance Benefit Program; however, providing the Cash Balance Benefit Program is optional for employers.

Mandatory Defined Benefit Program membership requirements vary, depending on an individual's employment status and whether or not the employer offers the Cash Balance Benefit Program to their part-time employees.

For details on the Cash Balance Benefit Program and part-time educators, see Section 3.

## Benefit Eligibility

You will be eligible for or *vested* with a right to a lifetime retirement benefit when you have accumulated five years of service credit under the Defined Benefit Program. You can retire as early as age 50 if you have at least 30 years of service credit. You can retire at age 55 with five years of service credit. For information on the eligibility requirements for disability and survivor benefits available to active members, see Sections 8 and 9.

### Membership When Cash Balance Offered

In school districts, county offices of education or community college districts that offer the Cash Balance Benefit Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory DB Membership Begins
K-12 or community college instructor hired	First day of pay period in which the basis of employment (the employee's contract for employment) changed to 50 percent, or more, of the full-time equivalent for the position
K-12 or community college instructor hired on an hourly/adjunct basis	First day of pay period in which the employee is hired to work more than 50 percent of the full-time equivalent for the position

*Note: Effective July 1, 2005, temporary part-time community college instructors and community college adult education instructors are exempt from mandatory Defined Benefit membership requirements.*

### Membership When Cash Balance Not Offered

In school districts, county offices of education or community college districts that do *not* offer the Cash Balance Benefit Program, the following mandatory Defined Benefit Program membership requirements apply:

Employment Status	Mandatory DB Membership Begins
Hired on part-time hourly basis	First day of pay period following the pay period in which creditable service in one school district, community college district or county superintendent's office is performed for 60 or more hours.
Hired on part-time daily basis	Same as above except for 10 or more days.
Hired as a substitute	Same as above except for 100 or more complete days during the school year.

*Note: Effective July 1, 2005, temporary part-time community college instructors and community college adult education instructors are exempt from mandatory Defined Benefit membership requirements.*

## Calculating Your Defined Benefit Retirement

### Benefit Formula:

$$\text{Service Credit} \times \text{Age Factor} \times \text{Final Compensation} = \text{Retirement Benefit (unmodified)}$$

The formula for calculating an unmodified Defined Benefit retirement includes three elements: service credit, age factor and final compensation. For details on calculating your Defined Benefit, see Section 6, Your Retirement Benefit.

## Membership for Part-Time Employees

As long as your basis of employment remains less than half time, you have the choice of participating either in the Defined Benefit Program or the Cash Balance Benefit Program — if you are employed in a district that offers the CB Benefit Program. If you choose the CB Benefit Program and your basis of employment changes to half time or more, you will automatically become a member of the Defined Benefit Program (see charts at left for noted exceptions). For details on benefits for part-time employees, see Section 3.

## Part-Time or Substitute Employees Electing Defined Benefit Program Membership

Anyone who performs creditable service in the California public school system is eligible to elect membership in the Defined Benefit Program.

If you are hired as a substitute or on a part-time basis and your basis of employment does not qualify you for mandatory membership, you may still elect to become a member of the Defined Benefit Program. Your employer must formally notify you of your right to elect membership in the program within 30 days of hire.

You can elect membership only during a pay period in which you actually performed creditable service and you must elect membership on the appropriate form provided by your employer. The effective date of membership is the first day of the pay period in which the election is made.

## Contributions to Your DB and DBS Accounts

### Member Contributions

As a member of the Defined Benefit Program, you must contribute 8 percent of your creditable compensation as identified in the Teachers' Retirement Law. Your employer can pay all or a portion of member contributions.

Contributions are withheld from creditable compensation by payroll deduction and credited to your Defined Benefit and Defined Benefit Supplement accounts. For details on your DBS account see Defined Benefit Supplement Program later in this section.

### "Employer Pick-Up" of Member Contributions

Most employers participate in the "Employer Pick-Up" Program under a provision of the Internal Revenue Code (Section 414[h][2]). The member's contributions to CalSTRS are "picked-up" by the employer for the sole purpose of deferring income taxes on that portion of compensation. The contributions must be deducted from your compensation and are considered creditable compensation for retirement purposes.

These tax-deferred member contributions are credited to your account as "Employer-Paid Member Contributions." Those contributions are taxable when returned to you or a beneficiary in a lump sum or monthly benefit. For more information on taxes, see Section 10, Tax Information and Legal Matters.

### Employer Contributions

The employing school district, community college district or county superintendent of schools contributes to CalSTRS an amount equal to 8.25 percent of the creditable compensation paid to every employee who is a member of the Defined Benefit Program. Employer contributions are not credited to individual member DB accounts but are deposited in the Teachers' Retirement Fund to help fund the benefits payable to all members and their beneficiaries.

### State Contributions

The state of California contributes 2.017 percent of the creditable earnings from the fiscal year ending in the prior calendar year. Additionally, the state contributes an amount equal to 2.5 percent of the total creditable compensation paid to all CalSTRS DB Program members during the fiscal year ending in the prior calendar year for the Supplemental Benefit Maintenance Account. This is used to maintain the purchasing power of benefits at prescribed levels.

### How Interest is Credited to Your Accounts

At the end of each fiscal year, interest is credited to the accumulated contributions and interest in each member's Defined Benefit and Defined Benefit Supplement accounts at the *credited interest rate*. Each credited interest rate is adopted annually by the Teachers' Retirement Board and is currently set at a rate that approximates the yield on two-year Treasury notes for the Defined Benefit Program and the 30-year Treasury rate for the Defined Benefit Supplement Program. The current rates, compounded daily, are 2.5 percent for Defined Benefit and 5.0 percent for Defined Benefit Supplement accounts. These interest rates are valid through June 30, 2005.

### Defined Benefit Account

Interest is credited to your Defined Benefit account primarily to provide a lump-sum benefit to you if you terminate all creditable service and withdraw your contributions or to your beneficiaries if you die without survivors who are eligible for monthly benefits.

As a Defined Benefit Program member, your retirement benefit will be calculated using a formula established by law based on your age, years of service credit and final compensation. The amount of total contributions and interest in your Defined Benefit account is not used to calculate either your or your beneficiary's future monthly benefit. This is a lifetime benefit regardless of the funds you have contributed to your account.

### **Defined Benefit Supplement Account**

The credited interest rate for the Defined Benefit Supplement Program is not necessarily the same as for the Defined Benefit Program. The rate cannot be less than the rate for the Defined Benefit account. The interest is included in the amount payable to you.

## **Borrowing Against Your Accounts**

State law does not permit you to borrow against your accumulated contributions and interest on account with CalSTRS.

## **Annual Statement of Account**

Every year you receive a combined Defined Benefit and DBS *Annual Statement of Account*, which is one of your most important CalSTRS records. It provides you with information about your retirement account. The statement is distributed by December to each member who was employed to perform creditable service. The statement of account gives your account status as of June 30 of that year.

The statement is sent to the mailing address on file with CalSTRS. You can update your mailing address through your employer or online at *myCalSTRS*. In addition to current members, statements of account are also sent to inactive members, that is, those persons who have a balance remaining in their Defined Benefit account, but did not perform creditable service during the prior school year.

If you do not receive a statement in the mail, you can view and print it online. Go to the CalSTRS Web site at [www.calstrs.com](http://www.calstrs.com) and log

in or register to use *myCalSTRS*. You can also call us at 800-228-5453 to request a statement.

**Note:** *Retired members and benefit recipients do not receive a statement.*

## **What's on Your Annual Statement of Account**

Examine your statement carefully each year for accuracy and file it with your important employment or financial records. Your statement includes:

- Beginning balances of your service credit and contributions and interest credited on member contributions at the beginning of the period, July 1 of the previous school year.
- Ending balances of your service credit and contributions and interest earned on member contributions as of June 30 of the just-completed school year.
- Information about the just-completed school year, July 1 through June 30, includes:
  - Interest credited on your accumulated contributions.
  - Service credit you earned.
  - Contributions credited to your Defined Benefit and Defined Benefit Supplement accounts.

The service credit shown on your *Annual Statement of Account* is based on the creditable compensation earned and annual earnable compensation for the full-time position as reported by your employer(s) to CalSTRS. The member contributions are the contributions that your employer(s) reported.

If you believe there is a discrepancy on your annual statement, contact your employer's department that reports your time to CalSTRS.

Adjustments made to service credit and contribution data after June 30 will be included in your next *Annual Statement of Account*. If you have purchased additional service credit or redeposited contributions that were previously refunded, the changes will first appear on the statement of account for the school year during which the final payment was made.

In addition to service credit, contributions and interest, the annual statement of account provides:

- An explanation of your Coverage A or Coverage B for disability and survivor benefits.
- One-time death benefit recipient or recipients, formerly called “designated beneficiary.”
- Option beneficiary or beneficiaries.
- Two estimates of your retirement benefits based on your age and account balance at the end of the previous school year if you are age 45 or older. (In 2005, the estimates may be mailed to you separately rather than provided on the statement.)

## What if You Become Disabled?

As a member of the Defined Benefit Program you have disability protection under one of the CalSTRS disability benefit programs, Coverage A or Coverage B. Once you are vested and meet the eligibility requirements, and you have a medically determinable physical or mental impairment that prevents you from performing your usual job or comparable duties, you may apply for disability benefits. For details on disability benefits, see Section 8.

## What Happens When You Die?

Throughout your career, it is important to keep a valid and current *One-Time Death Benefit Recipient* form on file at CalSTRS.

The Defined Benefit Program provides benefits to your survivors when you die either before or after retirement. Your survivors may be eligible to receive either a lump-sum payment or monthly benefits with additional benefits for dependent children. These benefits provide a basic level of security for your survivors. The benefit depends on the options you choose and whether you have Coverage A, Family Allowance or Coverage B, Survivor Benefit. For details, see Section 9, Survivor Benefits.

## Less than One Year of Service Credit

If you have earned less than one year of service credit at the time of your death, a refund of your accumulated contributions plus interest is paid to your death benefit recipient(s), or to your spouse or registered domestic partner, if appropriate.

## One or More Years of Service Credit

If you have earned one or more years of service credit at the time of your death, your named death benefit recipient(s) may be eligible to receive a one-time death benefit in addition to the refund of the accumulated contributions and interest.

## One-Time Death Benefit

A one-time death benefit is payable to the one-time death benefit recipient or recipients under both disability and survivor benefits, Coverage A and B. The amount of the benefit depends on your coverage and whether death occurs before or after retirement. If you do not name a recipient, your estate receives the one-time death benefit.

For information on how dissolution of marriage or termination of a registered domestic partnership may affect your one-time death benefit recipient designation, see Section 10, Tax Information and Legal Matters.

## If You Terminate Your CalSTRS-Covered Employment

Termination of CalSTRS-covered employment and a subsequent refund of your accumulated contributions plus interest cancel any eligibility for monthly benefits from CalSTRS.

## Survivor or Disability Benefits

Termination of CalSTRS-covered employment for four consecutive months or more eliminates your eligibility for survivor or disability benefits. This time limit does not apply to eligibility for service retirement.



### **Exceptions to the Four-Month Limit**

The four-month limit does not apply if you die during an approved leave of absence of up to 12 months for a reason other than disability or military service.

Eligible recipients may receive a one-time death benefit and/or a monthly benefit under the following two circumstances:

- If medical reports show that you became incapacitated within four months of your last day of service — and remained continuously incapacitated to the date of death or
- If you were receiving a disability benefit under Coverage A.

## **Refunding Your CalSTRS Contributions**

### **Defined Benefit Account**

Your Defined Benefit Program contributions, plus interest, are refundable upon termination from all employment to perform creditable service in any California public school.

Upon receipt of a completed refund application, CalSTRS will refund all your Defined Benefit member contributions including tax-deferred member contributions under the Employer Pick-Up Program plus credited interest on your money. Partial refunds are not permitted. Employer and state contributions are not refundable.

It is important to note that a refund of your contributions terminates your CalSTRS membership and you will not be eligible for any benefits from CalSTRS, including a lifetime monthly retirement benefit.

### **Defined Benefit Supplement Account**

If after termination of employment you have not performed creditable service for one year and you have received a refund of your Defined Benefit account, CalSTRS will refund your Defined Benefit Supplement account after you respond to a CalSTRS correspondence regarding the payout. You cannot redeposit your Defined Benefit Supplement funds if you decide to return to CalSTRS-covered employment.

### **Consider a Refund Carefully**

If you have fewer than five years of service credit and do not plan to return to teaching and you are not eligible for retirement with any of the California public systems listed under Retiring From More Than One Public Retirement System in Section 6, you may be considering a refund. However, if you are a career teacher with substantial service credit, or you are eligible for retirement with another California public system and are approaching age 55, we highly recommend you learn more about the consequences of taking a refund.

### **Consequences of a Refund**

- If you withdraw your contributions and interest before age 59½, the distribution may be subject to income tax and a 10 percent federal excise tax as well as a 2.5 percent state excise tax.
- If you return to membership after taking a refund and later redeposit contributions and interest:
  - Your membership date changes to your return date.
  - You will be covered under Coverage B for survivor and disability benefits even if you had Coverage A before.
  - You must accumulate a year of service credit before you are eligible for CalSTRS benefits.

**Important:** If you return to membership and wish to receive full retirement benefits from your past membership with CalSTRS, you must fully buy back the service credit represented in the refund.

### **More Refund Information**

For more refund information, go to [www.calstrs.com](http://www.calstrs.com) or call 800-228-5453 and order *Refund: Consider the Consequences*. Or call CalSTRS and select the Teletalk option and then enter 700.

## Redeposits – Restoring Service Credit

Redepositing allows you to restore the service credit represented by refunded contributions. If you return to teaching or other CalSTRS-covered employment or become eligible for retirement with another California public retirement system you may elect to buy back past Defined Benefit Program refunded service credit by redepositing your prior refunded contributions plus regular interest. For a list of these other California systems, see *Retiring From More Than One Public Retirement System* in Section 6.

The longer the elapsed time between refund and redeposit, the higher the redeposit amount will be.

You may not redeposit refunded Defined Benefit Supplement contributions and interest.

Before you are eligible for CalSTRS benefits, you must have earned at least one year of service credit after you received the most recent refund of accumulated retirement contributions, unless you are retiring concurrently with another California public retirement system.

You may choose to restore a portion, rather than all, of the service credit you forfeited when you took a refund.

Redepositing does not re-establish your earlier membership date or benefits that may have been available to you before you received a refund.

In some community property settlements, a member's service credit and contributions and interest are divided to create a separate account for the former spouse or registered domestic partner. If the former spouse or partner takes a refund of his or her account, the member can then choose to restore all or a portion of the service credit awarded to the former spouse or partner.

### Cost to Redeposit

The amount you need to redeposit and the benefits from restoring service credit will vary depending on your individual situation.

For example, a teacher who withdrew \$10,000 (representing three years of service) in May 1993 and wants to purchase those years of credit in April 2005, would be required to redeposit \$21,666.

For more information on purchasing service credit, see Section 6, *Your Retirement Benefit*. If you are considering a redeposit, order the *Purchase Additional Service Credit* brochure from [www.calstrs.com](http://www.calstrs.com) or call CalSTRS at 800-228-5453.

## Defined Benefit Supplement Program

Since January 1, 2001, each active Defined Benefit member has had established for them a Defined Benefit Supplement account. This account will be available to you when you begin to take a Defined Benefit monthly benefit or one year after you terminate CalSTRS-covered employment. The account receives funds from three sources in addition to interest.

One source is 2 percent of your creditable compensation, which is one-fourth of your contribution to CalSTRS. This amount will automatically go into your DBS account from January 1, 2001, through 2010. There will be no change in the 8 percent retirement contribution currently withheld from your paycheck. The redirection of contributions to your DBS account will not affect your CalSTRS DB retirement benefit.

In addition, since July 1, 2002, if you earn more than one year of service credit in a school year, your contributions and most of the employer contributions from your earnings in excess of one year will be allocated to your DBS account. This provision will not end at the end of 2010, as does the redirection of the member contribution mentioned earlier.

Lastly, some members receive special limited-term payments or compensation intended to enhance their Defined Benefit retirement benefits. Effective July 1, 2002, member and employer contributions on these payments are credited to the Defined Benefit Supplement accounts.

The funds in the DBS accounts earn interest at a rate set at the beginning of each plan year, July 1 through June 30, by the Teachers' Retirement Board, based on the 30-year Treasury rate. At the end of each year, if actual earnings exceed the board-set interest rate, the board may declare an additional earnings credit.

Contributions into the Defined Benefit Supplement account will not affect your ability to make contributions into a 403(b) or similar tax-deferred savings plan.

### **Access to DBS Funds**

Funds available at retirement or at termination of employment will vary, depending on your salary, overtime compensation and the interest the account earns. All contributions and interest in your Defined Benefit Supplement account will appear on your CalSTRS *Annual Statement of Account*.

Your funds will be available to you when you begin to take a Defined Benefit monthly benefit or one year after you terminate CalSTRS-covered employment.

The DBS account beneficiaries are the same as the beneficiaries named on your Defined Benefit account. Defined Benefit Supplement account funds can be withdrawn only when you die, become disabled, retire or one year after terminating CalSTRS-covered service. Please note that you cannot borrow against your Defined Benefit Supplement account.

You can choose to receive the balance of the contributions and interest in your Defined Benefit Supplement account as a:

- **Lump-sum payment** – only choice if you are receiving a refund or your account is less than \$3,500.
- **Monthly payment** – If the balance is at least \$3,500, you may choose one of the following annuity types to distribute payment over your and your beneficiary's lifetime, based on the option you chose for your Defined Benefit payment:

- Single-Life Annuity with Cash
- Single-Life Annuity without Cash
- 100% Joint and Survivor Annuity
- 50% Joint and Survivor Annuity
- Period-Certain Annuity
- Combination Lump-Sum Payment

For details on the Defined Benefit Supplement account annuity options, see Section 6, Your Retirement Benefit.

## **Changing Employment to a Different Public Retirement System**

Occasionally, teachers or others who perform CalSTRS creditable service change employment to positions that are subject to coverage by another California public retirement system. For example, a classroom teacher may take a position as a human resources specialist in the district office, a position usually subject to California Public Employees' Retirement System coverage. On the other hand, a human resources specialist may decide to take a teaching position, a position usually subject to CalSTRS coverage. CalSTRS or CalPERS members who change employment subject to coverage by the other system will have an opportunity to continue coverage or change to the other system.

The two systems are treated differently for Social Security coverage. CalSTRS members do not participate in Social Security, but CalPERS members do. Members of either system are urged to contact the Social Security Administration at 800-772-1213 to determine how the change will affect any Social Security benefit due the member.

### **If You Change to a CalPERS Position**

If you are a member of the CalSTRS Defined Benefit Program and become employed by the same or a different school district, community college district, or county superintendent of schools or have limited state of California employment to perform service that requires membership in the California Public Employees' Retirement System, you may elect, within 60



days of the date of your new employment, to continue coverage under the Defined Benefit Program. If you do so, service in your new position, normally subject to coverage by CalPERS, would be treated as creditable service under the CalSTRS Defined Benefit Program.

The election:

- Must be made within 60 days of the date of hire into the new position.
- Must be done on the appropriate form provided by the employer.
- Is effective as of the date of hire into the new position.
- Is irrevocable and applies to all service in that position.

### **If a CalPERS Member Changes to a CalSTRS Position**

Certain members of CalPERS who subsequently are employed to perform CalSTRS creditable service can elect within 60 days of their new hire date to continue coverage under CalPERS for all subsequent CalSTRS creditable service. This applies to CalPERS members employed by:

- A school district.
- The Board of Governors of California Community Colleges.
- The state Department of Education as of January 1, 2002.
- A local or state agency not listed above (only applies to vested CalPERS members).

The election:

- Must be made within 60 days of the date of hire into the new position.
- Must be done on the appropriate form provided by the employer.
- Is effective as of the date of hire into the new position.
- Is irrevocable and applies to all service in that position.

### **Dual Membership**

Members of CalPERS who are employed on a full-time basis and accept part-time employment to perform creditable service covered by the CalSTRS Defined Benefit Program can permissively elect membership in CalSTRS and have their part-time service reported to CalSTRS.

### **Information on Both Systems**

To help you compare both systems, review the benefit information in this handbook, as well as the benefit information booklet provided by CalPERS. Both publications are available from your employer.

In addition, the CalSTRS brochure *Join CalSTRS? Join CalPERS?* outlines and contrasts the basic benefits of the two systems. For a copy, visit our Web site at [www.calstrs.com](http://www.calstrs.com), ask your employer or call CalSTRS at 800-228-5453.